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BEFORE THE ARIZONA CORPORATION COMMISSION

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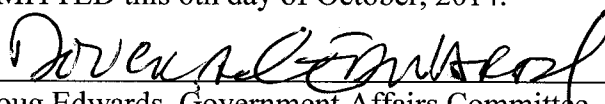
IN THE MATTER OF THE APPLICATION)
OF ARIZONA-AMERICAN WATER)
COMPANY, AN ARIZONA)
CORPORATION, FOR A)
DETERMINATION OF THE CURRENT)
FAIR MARKET VALUE OF ITS UTILITY)
PLANT AND PROPERTY AND FOR)
INCREASES IN ITS RATES AND)
CHARGES BASED THEREON FOR)
UTILITY SERVICE BY ITS)
ANTHEM/AGUA FRIA WASTEWATER)
DISTRICT, SUN CITY WASTEWATER)
DISTRICT, AND SUN CITY WEST)
WASTEWATER DISTRICT)
_____)

DOCKET NOS. SW-01303A-09-0343
W-01303A-09-0343

NOTICE OF FILING DIRECT
TESTIMONY

The undersigned, Doug Edwards, a resident of the Corte Bella Country Club Association
("CBCCA"), a member of the CBCCA Government Affairs Committee and a petitioner in these
proceedings hereby files his attached direct testimony dated October 6, 2014..

RESPECTFULLY SUBMITTED this 6th day of October, 2014.



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ORIGINAL and thirteen (13) copies Filed this day with:

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By:


Doug Edwards

BEFORE THE ARIZONA CORPORATION COMMISSION

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ANTHEM/AGUA FRIA WASTEWATER)	
DISTRICT, SUN CITY WASTEWATER)	
DISTRICT, AND SUN CITY WEST)	
WASTEWATER DISTRICT)	
_____)	

**DIRECT TESTIMONY
OF
DOUG EDWARDS
A RESIDENT OF THE CORTE BELLA COUNTRY CLUB ASSOCIATION**

OCTOBER 6, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS:**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 **A.** Douglas C Edwards; 13517 W Sola Drive; Sun City West, AZ

4 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
5 **EDUCATION.**

6 **A.** Lincoln Technical Institute – Certificate - Advanced Electricity

7 DeVry Technical Institute – Certificate – Digital Electronics,
8 Microprocessor Applications

9 Honeywell Automation College – Certificate - Systems Engineering

10 Systems Technician, Systems Engineer – Exxon Chemical Americas, 30
11 years, Retired

12 Discipline: Industrial Automation

13 Responsibilities Included (but not limited to): Process Control Computer
14 Systems, Process Control Center and Field Instrumentation, Process Control
15 Center Cabling and Wiring, Systems Integration (Corporate Business
16 Systems, Online Process Analyzer Systems), Emergency Standby Systems
17 (Battery Backup, Emergency Generators)

18 New Jersey Licensed Electrician (License # 8800)

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

20 **A.** The purpose of my testimony is to present the constitutional concerns arising
21 from the apparent discriminatory practices in the provision of wastewater
22 services by EPCOR, the related concern regarding the repetition of previous

1 “closet negotiations” which is now known to all parties and provide support
2 for the full consolidation of the five EPCOR Wastewater Districts, as
3 recommended by EPCOR in their direct testimony dated September 8, 2014
4 before this Commission.

5 **II. BACKGROUND**

6 **Q. PLEASE PROVIDE SOME BACKGROUND AS TO WHY YOU ARE**
7 **APPEARING BEFORE THIS COMMISSION.**

8 **A.** The community of Corte Bella formed a Government Affairs Committee
9 (GAC) in order to review issues and recommend options to the community’s
10 governing board to reduce our discriminatory and elevated water rates. The
11 board requested that the committee be proactive in its approach and not
12 merely provide recommendations so a water team met with the Residential
13 Utility Consumer Office (RUCO) to request their assistance and suggestions
14 on how best to proceed.

15 **Q. AND BASED ON THAT EVALUATION, WHAT DID YOU AND**
16 **YOUR SIMILARLY SITUATED NEIGHBORING COMMUNITIES**
17 **DECIDE WAS APPROPRIATE ACTION?**

18 **A.** We recognized that the situation for our Agua Fria wastewater neighbors
19 was almost identical – discriminatory high wastewater costs; and at the same
20 time we were aware of the significantly lower rates of other neighbors.
21 Even as a lay person, I knew that large variable rates in the cost of a product
22 provided equally to all consumers was a probable violation of the Arizona
23 constitution so we needed to approach the ACC with our concerns and bring
24 these issues to the forefront of the Commission. We needed and still need

1 immediate relief and just as importantly, the discriminatory rate practices
2 and policies must cease.

3 RUCO recommended that petitions be filed with the Arizona Corporation
4 Commission (ACC) to inform them of our wastewater plight and concerns.
5 That process was undertaken and based on initial meetings and our belief at
6 that time that there was no system-wide option, the GAC petitioned to
7 deconsolidate the Northeast Agua Fria Water/Wastewater District from the
8 Agua Fria Water/Wastewater District, and consolidate us with the Sun City
9 West Water/Wastewater District.

10 As a result of our many petitions, the Administrative Law Judge ordered
11 EPCOR to submit an analysis of three alternatives which might, in whole or
12 part, alleviate rate concerns and discriminatory treatment of groups of
13 consumers: (i) full deconsolidation of all five wastewater districts; (ii) re-
14 consolidation of the Anthem Wastewater District with the Agua Fria
15 Wastewater District; and (iii) full consolidation of all five EPCOR
16 wastewater districts.

17 In their direct testimony in this proceeding, EPCOR provided the analysis
18 and recommended full consolidation of all five of their wastewater districts
19 as the best interim and permanent solution. After review of the historical
20 pleadings and given EPCOR's direct testimony, the GAC realized that a
21 system-wide option – full consolidation – is not only viable but also
22 realistically attainable. Such an option is in the best interests of all
23 consumers in Arizona as well as EPCOR.

1 **III. THE COMPLEXITIES RAISED BY THE SUN CITIES**
2 **REGARDING CONSOLIDATION OPTIONS**

3 **Q. DO YOU BELIEVE THAT THERE IS OPPOSITION TO FULL**
4 **CONSOLIDATION?**

5 **A.** It is quite clear from media presentations that the Sun Cities are opposed to
6 consolidation. And while full consolidation ultimately is just and
7 reasonable, the path to implementation may involve other considerations.
8 For example, since Corte Bella started the petition process, the GAC has
9 noted, and charged me with monitoring several concerns raised by our
10 residents and others: based on media representations, that RUCO's
11 involvement and support for the Sun Cities (Sun City and Sun City West)
12 impedes a fair representation of all consumers. This perceived bias has been
13 that there is favorable and discriminatory treatment by RUCO for the benefit
14 of the Sun Cities to the detriment of the communities in the Agua Fria
15 District and Anthem.

16 **Q. CAN YOU EXPLAIN THE BASIS OF YOUR CONCERNS?**

17 **A.** When the GAC was formed, we contacted Cross River and Dos Rios
18 community representatives. Corte Bella's GAC and Cross River
19 representatives were each designated certain tasks in the petition process.
20 The first thing the GAC did, along with the representatives from Cross
21 River, was to call RUCO and set a meeting to discuss our rates, and ask their
22 help in determining the best way to approach the ACC. Although RUCO
23 recommended we submit a petition to the ACC, the administrative process
24 was complex and unclear and the GAC could not proceed. With the

1 assistance of third parties who clarified and corrected the process described
2 to us by RUCO, GAC was able to complete the filing of the petitions.

3 On behalf of all of the petitioners, Cross River was tasked with asking
4 RUCO to meet with the residents in our various communities – specifically
5 Cross River, Corte Bella and Dos Rios. Our residents have discrimination
6 concerns and RUCO is charged with assisting communities or residents
7 raising such claims. No such meeting with RUCO ever materialized.

8 RUCO did, however, have a presentation at the Sun City Sundial
9 Auditorium on September 17th, which I attended where they stated they were
10 opposed to full consolidation without a full rate case. While arguably that
11 meeting was to discuss issues in the current rate case involving Sun City, it
12 was common knowledge that the consolidation issue would be raised. We
13 understand the concerns being raised by Sun City but that does not mean that
14 the concerns of other communities can be ignored.

15 In addition, information repeated in the media and during presentations
16 appears to be selective, even inaccurate. The “shock” impact of using 89%
17 is rampant in the media but what of the rate shock being experienced by the
18 other communities.

19 When asked by a resident if the full consolidation proposal by EPCOR was
20 just a flat rate, or if there was a variable rate included, Director Quinn stated
21 that the “flat rate may also include a possible variable rate”. EPCOR has
22 repeatedly testified that it would be a flat rate only.

23 RUCO emphasized that full consolidation would result in an 89% rate
24 increase to Sun City, but failed to state that it was a \$16.19 increase over

1 their existing \$18.11 rate. They also failed to include the pending proposed
2 rate increase of \$3.82. When taken into consideration this would effectively
3 reduce the rate increase to 68%.

4 The only reference to Sun City's needed infrastructure improvements was
5 included in a statement as to how it related to the proposed SIB in the
6 pending Sun City rate case. No mention of the economic impact on Sun
7 City if they remained stand-alone; no mention of the possible benefit from a
8 consolidation for everyone. There is an obvious benefit to the Sun Cities, if
9 the cost of infrastructure repairs is spread over the entire consolidated
10 consumer base, with a rate impact to everyone which is not as economically
11 severe.

12 In addition, they never addressed the fact that Sun City West's rate would
13 increase from \$30.96 to the proposed \$34.30 with full consolidation. That
14 figure reflects a \$3.34 increase or 10.79%, to be offset in the future by
15 shared infra-structure costs.

16 Our communities do not exist in isolated vacuums – we are aware of the
17 concerns of our neighbors and information should be as complete as
18 possible. No wants a rate increase but all communities must be aware of the
19 “rate shock” experienced by some consumers - the proposed Agua Fria rate
20 of \$121.91 as compared to a rate for Sun City which is about 20% of that
21 amount, without consolidation. Under any interpretation of our state
22 constitution, this is not just and reasonable.

1 **Q. YOU STATED THAT RUCO'S POSITION DURING THE**
2 **PRESENTATION WAS AGAINST CONSOLIDATION – ARE YOU**
3 **AWARE IF THIS DEVIATES FROM A PRIOR POSITION.**

4 **A.** RUCO was initially supportive of full consolidation and proposed a five step
5 phase in of rates pertaining to SW-01303A-09-0343. (RUCO Reply Brief,
6 Docketed 8/6/2010) RUCO then testified its opposition to rate consolidation,
7 filing a “Notice of Filing Withdrawal of Phase-In Proposal” (Docketed
8 10/1/2010) wherein they stated that fully consolidated rates – “would not
9 actually result in a rate design more beneficial to Anthem ratepayers than
10 RUCO’s stand-alone rate design”. Again, a position taken to benefit one,
11 not considering the impact on others. Yesterday’s focus was Anthem;
12 today’s is the Sun Cities. We contend that it is time to focus – as EPCOR
13 did in its full consolidation recommendation – on all consumers, all
14 communities.

15 **Q. YOU MENTIONED THAT YOU ATTENDED THE PRESENTATION**
16 **HELD BY RUCO ON SEPTEMBER 17, 2014 IN SUN CITY. CAN**
17 **YOU BRIEFLY SUMMARIZE THAT PRESENTATION?**

18 **A.** There is not much to summarize. The presentation appeared biased toward
19 Sun City and RUCO’s opposition to full consolidation without a full rate
20 case despite EPCOR’s direct testimony on September 8, 2014 by Sheryl
21 Hubbard that full consolidation would be revenue neutral and a rate case
22 would not be needed. It is unclear how a presentation defending a position
23 against full consolidation reflects representation of the best interests of all
24 consumers. In fact, Director Quinn vehemently encouraged the Sun City
25 residents to let the ACC “know your position through emails, calls or
26 voicemails, letters and petitions”.

1 **Q. ARE YOU IN CONTACT WITH REPRESENTATIVES OF THE**
2 **OTHER COMMUNITIES?**

3 **A.** We have reached out to Sun City and Sun City West to no avail. The
4 communities of Anthem, Corte Bella, Cross River and Dos Rios have met
5 several times and a joint letter is in process setting forth our consensus
6 which will be filed on the edocket.

7 **IV. ADDITIONAL OPTIONS AND CONSIDERATIONS.**

8 **Q. ARE YOU ADVOCATING FOR FULL CONSOLIDATION OF THE**
9 **FIVE WASTE WATER DISTRICTS BEING SERVICED BY EPCOR?**

10 **A.** The petitioners and the communities represented by those petitioners are
11 advocating for full consolidation of the five waste water districts serviced by
12 EPCOR, to be effective as of January 1, 2015, at the rate of \$34.30 for
13 residential consumers as explained by EPCOR in their direct testimony in
14 these proceedings.

15 The full consolidation option is in full accord with the principals of equity
16 requiring just and reasonable charges and non-discriminatory treatment
17 required by Article 15, Section 12 of the Arizona Constitution. But having
18 experienced “rate shock” for the past year, the petitioners also acknowledge
19 that the implementation of full consolidation may necessitate a limited
20 interim approach to accomplish full consolidation with the least amount of
21 negative impact on the consumers. This requires balancing the current “rate
22 shock” being experienced by Agua Fria consumers with the possibility of
23 “rate shock” for the Sun Cities consumers.

1 There are options and as petitioners we welcome the opportunity to enter
2 into discussions with the various parties to facilitate a resolution which is
3 equitable, just and reasonable. But petitioners advocate for a date certain
4 commencements date – January 1, 2015 – and a date certain to fully
5 implement the consolidation – January 1, 2016.

6 For example, one option is a limited phase-in approach which would
7 mitigate the current Aqua Fria “rate shock” but not impose a similar “shock”
8 on the Sun Cities. It would be a gradual phase-in using a flat rate – the rates
9 of those communities paying a disproportionately high rate would go down,
10 perhaps in two six month intervals, and the rates of communities with
11 disproportionately lower rates would go up over that same period of time. At
12 the end of phase-in period, January 1, 2016, all consumers are paying the
13 same \$34.30 rate. It can be designed to be revenue-neutral and would apply
14 equally to all consumers. No discrimination issues – just and reasonable.

15 While staged consolidations may ultimately achieve the same result – such
16 as consolidating all users of the Northwest Treatment Plant – it is a piece-
17 meal approach which provides interim relief for consumers but does not
18 address the larger picture which is that just and reasonable rates require a
19 fully consolidated system.

20 **Q. AN EFFECTIVE DATE OF JANUARY 1, 2015 DOES NOT TAKE**
21 **INTO CONSIDERATION THE TIMING FOR A FULL RATE CASE**
22 **AS HISTORICALLY ADVOCATED BY RUCO. HOW CAN THIS**
23 **ISSUE BE RESOLVED?**

24 **A.** To begin with EPCOR itself does not believe, under its rate design structure,
25 that a full rate case is necessary. Petitioners are not water/wastewater

1 specialists and must defer to the experts in such determinations. And,
2 petitioners also acknowledge RUCO's historical position. However, as
3 RUCO itself has stated, in a crisis situation, interim rate adjustments can be
4 implemented. Petitioners have lived with this "crisis" on a daily basis; but
5 this testimony is neither the time nor place to go into details. This
6 Commission has heard it all previously but suffices it to say, these issues
7 have reached a crisis level which justifies an interim rate adjustment. The
8 question of a full rate case does not impact that decision leading to full
9 consolidation on a date certain.

10 Actually, however, there are 2 possible options to address a rate case
11 concern – the first is the ability of this Commission to revise its
12 administrative policies and permit EPCOR to open a new rate case prior to
13 the expiration of the six month waiting period. That determination is in the
14 hands of the Commission. Second, there are two rate cases currently in
15 process – either could be utilized or expanded to encompass a full rate case,
16 should the Commission determine its necessity.

17 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS**
18 **PROCEEDING?**

19 **A.** Yes, it does.

EXHIBIT DE-1

EPCOR – CONSOLIDATED WASTEWATER RATE PROPOSAL

SYSTEM	CURRENT RATES		RECOMMENDED		INFRASTRUCTURE	
	TOTAL Note (3)	RATE	INC (DEC)	PERCENT	IMPROVEMENTS Note (5)	TOTAL RATE
Agua Fria Note (1)	\$121.91	\$34.30	(\$87.61)	(71.86%)		
Anthem Note (1)	\$ 56.26	\$34.30	(\$21.95)	(39.02%)	\$5.3 million	
Mohave Note (2)	\$ 82.79	\$34.30	(\$48.49)	(58.57%)		
Sun City Note (4)	\$ 18.11	\$34.30	\$16.19	89.40%	\$9.3 million	\$25.75 Note (6)
Sun City West	\$ 30.96	\$34.30	\$ 3.34	10.79%	\$4.9 million	

Note (1) Agua Fria and Anthem – Current rates reflect rates scheduled to go into effect on January 1, 2015

Note (2) Mohave Wastewater – Current rates reflect pending increase in rates as filed in Docket # WS-01303A-14-0010

Note (3) All rates based on average usage of 7000 gallons per month

Note (4) Sun City – Current rates do not reflect pending increase in rates as filed in Docket # WS-01303A-09-0343 (see Note (6))

Note (5) Indicates projected infrastructure improvements over next 5 years

Note (6) Sun City - Total Rate reflects pending increases in rates without consolidation: \$3.82 initial + SIB (System Improvements Benefit)

for a total \$7.64 increase over 5 years (per RUCO estimates provided at their presentation 9/18/14)